

# FISCAL NOTE

## HB 1787

March 24, 1997

**SUMMARY OF BILL:** Prohibits the inclusion of *most favored nation* clauses in contracts for professional health care services. This bill does not apply to contracts in existence prior to the effective date of the bill.

### ESTIMATED FISCAL IMPACT:

#### Increase Local Govt. Expenditures\* - Exceeds \$100,000 Over Time

Assumes an increase in cost to local governments with health care plans containing such clauses since health care providers can no longer be required to give plan members rates equal to the lowest rates provided to non-plan members. Estimate is based on approximately 24 local governments with claims exceeding \$75,000,000.

The state health plan, local governments which use the state health care plan, and TennCare will not be impacted because of the following:

- Current contracts for the administration of the state health care plan and local governments who opt to use the state plan contain waivers of the application of these type of restrictions in provider contracts where services are to be provided to participants in these plans.
- TennCare contracts between the state and managed care organizations and behavioral health organizations prohibit MCOs and BHOs from demanding TennCare payment rates from providers for the MCO's or BHO's non-TennCare business.

\*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

### CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director